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## **Speech by Minister for Agriculture, Food and the Marine Simon Coveney TD on Reform of the Common Agriculture Policy (CAP)**

**Dáil Éireann**

**Dublin, Ireland**

**14 March 2013**

I am pleased to have the opportunity to address the house today concerning the CAP reform proposals. Our debate today is very timely given that we are approaching a crucial juncture in the negotiations. The EU Council of Agriculture Ministers will meet on Monday and Tuesday of next week with a view to adopting a comprehensive Council position on the proposed reforms.

By way of background, the proposed reform of the CAP arises in the context of the revision of the EU multiannual financial framework for the EU budget for the coming years, or MFF as it is known. The reform must be decided in full co-decision between the Ministers of the 27 Member States in the Council and the European Parliament.

The challenge for the current round of CAP reform is to deliver, in good time, a Common Agricultural Policy that is fit for purpose, that is coherent with the Europe 2020 strategy for recovery and growth and that supports the twin goals of competitiveness and sustainability. In the case of Ireland, we want a policy that promotes sustainable intensification of production, environmental stewardship and a vibrant rural economy and that is consistent with our Food Harvest 2020 strategy.

As current holders of the Presidency of the European Union, Ireland is at the centre of the negotiations. Good progress was made by previous presidencies on technical issues with the result that there were some 30 issues outstanding when Ireland took over the Presidency in January last. In parallel the European Parliament has made substantial progress on this dossier. The Agriculture

Committee of the Parliament voted on its amendments in January and the European Parliament's position was confirmed yesterday in a plenary session of the Parliament.

My aim is to finalise the Council position and negotiating mandate by the end of March, leading to inter-institutional trilogues, with the aim of overall political agreement by the end of June.

A significant step forward in this process was achieved on 8 February 2013 when the European Council reached agreement on the EU budget for the next seven years. Subject to the consent of the European Parliament, this provides the necessary clarity on agriculture funding that will allow completion of the negotiations on CAP reform.

The agreement was generally positive from a CAP perspective. The CAP will still account for almost 39% of the overall budget. It incurred a cut of 3% compared to the Commission's original proposals, whereas the total EU budget was cut by 7%. This represented a good negotiating outcome in the face of significant pressure from a number of sources for a much higher cut to CAP expenditure.

Now that the EU Budget has been decided (although it has still to be confirmed by the European Parliament), the biggest issue for many Member States including Ireland, is the distribution of direct payments between farmers.

The Commission has proposed moving to a flat-rate payments system. This would, in the case of several Member States result in significant transfers between farmers. I believe there is a need for redistribution but I am concerned that moving to a flat rate as proposed would be harmful for the Irish agricultural sector and the Food Harvest 2020 strategy. Other Member States, such as the newer Member States are seeking alternative solutions, while others still (including Germany) are happy with the flat rate system.

The February Council of Agriculture Ministers meeting broadly endorsed a package of measures that I tabled aimed at achieving a compromise on this very difficult issue. The package included the option to take a more flexible approach to distribution, the so-called 'approximation' model favoured by Ireland. This would result in a less radical level of redistribution between farmers, moving gradually towards but not all the way to, a flat rate. It also included the "redistributive payment" as an additional option for Member States.

The reality here in Ireland is that we are facing two sets of demands on this issue. On the one hand, there are those farmers on low payments per hectare who are arguing for a larger share of the

available funding on the grounds of equity and fairness. On the other hand, there are those farmers on high payments per hectare, who have invested Single Payment funds in improving the productive capacity of their farms and do not want to move back from this position. Both sets of demands are understandable and reasonable, but difficult to reconcile. We need a solution that is fair to everyone, which will represent a real move away from historic payments, which seriously disadvantage some farmers, but which avoids unreasonably large cuts to those on high payment rates. This is why I have put forward the approximation model, which would give a Member State like Ireland the flexibility to do this.

Under the Commission proposal, we estimate, using our 2010 database, that €280m would be transferred between farmers. Under the Irish proposal, a minimum of €74m would be transferred, with flexibility to transfer more if we wished to do so.

The key will be to reach a fair compromise, which levels the playing field without putting productive farmers out of business. As is the case with any negotiation, the final position will be somewhere in between my approach and that of the Commission. I am fighting to ensure that the best possible outcome for all farmers is reached, in a balanced and fair way.

A second major issue for Member States is the Commission's proposals on greening of the CAP. There is broad support for the Commission's approach, i.e. the adoption of three basic greening criteria. However, Member States have a range of views in relation to how the proposal should be implemented. We in Ireland have our own particular issues that need to be resolved. These include our desire to make the greening payment a percentage of a farmer's overall payment, rather than a flat rate, and the need to adjust the three criteria to suit Irish farming conditions.

We have tabled proposals aimed at dealing with all of the concerns and there has been good support from Member States. There are a number of issues outstanding – mainly concerns raised by individual Member States on some of the detailed aspects. I am hoping that these can be sorted out at next week's Council with a view to obtaining a full Council position.

In essence, our proposals on greening retain the three greening criteria proposed by the Commission – crop diversification, maintenance of permanent grassland and establishment of ecological focus area.

However, we have built additional flexibility into the proposals in a number of ways. For example:

- We are proposing that Member States may elect to apply the obligation to maintain permanent grassland at regional or national level. This makes perfect sense in a member State such as Ireland which is dominated by grassland.
- We are proposing progressive implementation of the crop diversification requirements so that small holdings (under 10 hectares) are not bound by these requirements and that a two crop obligation applies to farms between 10 and 30 hectares, with three crops required above that level.
- We are proposing a graduated approach to ecological focus area – starting with a 3% requirement in 2015 that would gradually be increased to 5% in 2016 and, possibly, to 7% in 2017 and beyond – depending on the outcome of a review. We are also proposing to increase the scope of what is deemed to constitute an ecological focus area.
- In addition to all of this we are proposing that farmers may be excused from applying the three greening criteria provide they undertake certain agri-environmental measures that are deemed to be equivalent.

Our purpose in providing these additional flexibilities is to ensure that greening of the CAP provides added value in terms of benefits to the environment while at the same time is workable and practical for farmers and administrations alike. Where good ideas have emerged in the European Parliament, we have taken them on board in our proposals to Council.

There are a number of other complex, difficult and potentially divisive issues included in the compromise proposals that will be put to Ministers next Monday and Tuesday. These concern matters such as supply management measures in the sugar and wine sectors, the future of market support measures, the status of producer organisations, the designation of less favoured areas (now known as areas of natural constraint), the future of the Single Area Payment Scheme, operated in the new Member States, and the extent to which coupled payments will be allowed in the reformed CAP.

My aim will be to get agreement in the Council of Ministers on all of these points, so that we can then move forward to the next phase of the negotiations with the other EU institutions – the Commission and the Parliament.

I am firmly focused on achieving an agreement, during the Irish Presidency that will be to the long-term benefit of Irish and European agriculture.

From my point of view, this is about protecting the family farm; it is about continuing to support productive agriculture and the ambition of Food Harvest 2020; it about the fair distribution of direct payments for all farmers; it is about maintaining Rural Development funds to support vulnerable sectors within agriculture where necessary while also incentivising innovation and competitiveness; and it is about the sustainable safe and traceable production of increasing volumes of food. This CAP Reform will protect agriculture and the agri-food industry as the most important contributor to the Irish economy, reaffirming its status at the heartbeat of rural Ireland .

**ENDS**